

Message Text

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ACTION EUR-25

INFO OCT-01 AF-10 IO-12 ADP-00 AGR-20 CEA-02 CIAE-00

COME-00 DODE-00 EB-11 FRB-02 H-02 INR-10 INT-08 L-03

LAB-06 NSAE-00 NSC-10 PA-03 RSC-01 AID-20 CIEP-02

SS-15 STR-08 TAR-02 TRSE-00 USIA-12 PRS-01 OMB-01

ARA-11 EA-11 NEA-10 RSR-01 /220 W

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FM AMEMBASSY PARIS

TO SECSTATE WASHDC 9466

INFO AMEMBASSY ABIDJAN

AMEMBASSY ADDISABABA

AMEMBASSY BONN

AMEMBASSY BRUSSELS

AMEMBASSY COPENHAGEN

AMEMBASSY DUBLIN

AMEMBASSY DAKAR

AMEMBASSY HAGUE

AMEMBASSY LAGOS

AMEMBASSY LONDON

AMEMBASSY LUXEMBOURG

AMEMBASSY ROME

USMISSION EC BRUSSELS UNN

USMISSION GENEVA

C O N F I D E N T I A L PARIS 11162

E. O. 11652: GDS

TAGS: ETRD, EEC, FR, XA

SUBJ: LATEST GOF VIEWS ON EC POLICY ON LDC ASSOCIATION AND
REVERSE PREFERENCE

REF: A) LONDON 4621; B) EC BRUSSELS 2031; AND C) PARIS 7188

SUMMARY: WHILE FRENCH STILL STUDYING COMMISSION PROPOSALS, IT
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VIRTUALLY CERTAIN GOF WILL SUPPORT THESE IN EC COUNCIL. FRENCH INSIST THAT FTA APPROACH ONLY PRACTICAL WAY TO PROVIDE LEGAL FRAMEWORK FOR SPECIAL PREFERENCES. BUT GOF ALSO ENDORSES CONCEPT THAT LDC' S SHOULD BE FREE TO EXTEND THESE PREFERENCES TO OTHER DC' S WITHOUT RISK OF LOSING BENEFITS RECEIVED FROM EC OR FROM GOF. WE HAVE FOUND TENTATIVE WILLINGNESS IN MFA TO CONSIDER FISCAL DUTY APPROACH AS POSSIBLE SOLUTION TO REVERSE PREFERENCES ISSUE.

COMMENT: GIVEN FIRMNESS OF GOF VIEW ON FTA QUESTION, WE BELIEVE MOST EFFECTIVE WAY OF BRINGING ABOUT FURTHER MODIFICATION IN EC POSITION IS THROUGH ASSOCIATES AND ASSOCIABLES THEMSELVES. IF WE DECIDE THAT FISCAL DUTY SUGGESTION OFFERES POSSIBLE SOLUTION TO REVERSE PREFERENCES ISSUE, A DISCREET INDICATION OF THIS TO GOF COULD BE USEFUL.

1. WE HAVE HAD FURTHER DISCUSSIONS WITH DREE AND MFA OFFICIALS ON EC POLICY TOWARD LDC ASSOCIATES AND ASSOCIABLES AND REVERSE PREFERENCES. TWO MAJOR POINTS HAVE EMERGED FROM THESE DISCUSSIONS:

A) WHILE GOF HAS NOT YET ARRIVED AT FINAL POSITION ON RECOMMENDATIONS SET FORTH IN COMMISSION' S MEMORANDUM ON FORTHCOMING NEGOTIATIONS, FRENCH ARE VIRTUALLY CERTAIN TO SUPPORT THESE RECOMMENDATIONS IN EC COUNCIL; AND (B) THERE IS INCREASED FRENCH WILLINGNESS TO CONSIDER POSSIBLE SOLUTIONS TO IMPASSE ON REVERSE PREFERENCES, SUCH AS FISCAL DUTY APPROACH, PROVIDING THIS CAN BE DONE WITHIN FRAMEWORK OF FTA.

2. WE BELIEVE THAT TO A LARGE DEGREE COMMISSION' S PROPOSAL FOR EC RELATIONS WITH LDC ASSOCIATES CAN BE CONSIDERED A JOINT GOF-COMMISSION PROPOSAL. NOT ONLY IS DENIAU NOW IN CHARGE OF FRENCH DEVELOPMENT ASSISTANCE TO FRACOPHONE AFRICA IN MFA, WHERE HE WILL HAVE MAJOR ROLE IN DECIDING GOF POLICIES ON THIS QUESTION, BUT ALSO WE HAVE RELIABLE REPORT FROM FAC SOUCE THAT GOF EXAMINED AND GAVE PRELIMINARY APPROVAL TO COMMISSION MEMORANDUM WHEN IT WAS IN FINAL DRAFT. FRENCH CONTINUE TO INSIST THAT FTA APPROACH SUCH AS THAT EMBODIED IN COMMISSION' S MEMORANDUM IS ONLY PRACTICAL WAY TO ASSURE NECESSARY LEGAL FRAMEWORK WITHIN WHICH EC CAN CONTINUE TO OFFER SPECIAL PREFERENCES. AS WE REPORTED EARLIER (REF (C)), FRENCH BELIEVE SPECIAL PREFERENCES ARE VERY IMPORTANT ELEMENT IN MAINTENANCE OF THEIR RELATIONSHIPS WITH FORMER FRENCH COLONIES. IN ADDITION, THEY ARGUE THAT ONLY BY GIVING THESE " LEAST DEVELOPED" COUNTRIES COMPETITIVE EDGE

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OVER OTHER LDCS CAN EC OFFER THEM EFFECTIVE DEVELOPMENT ASSISTANCE THROUGH TARIFF PREFERENCES. THE GOF USES A SIMILAR ARGUMENT TO SUPPORT THE COMMISSION' S PROPOSED COMMODITY ARRANGEMENTS.

3. FRENCH SEE ONLY GATT WAIVER PROCEDURE AND FORMATION OF CUSTOMS

UNION AS LEGALLY ACCEPTABLE ALTERNATIVES TO FTA APPROACH. THEY REJECT FORMER AS LACKING NECESSARY PERMANENCE AND AS PROBABLY IMPOSSIBLE TO OBTAIN. THEY CONSIDER CUSTOMS UNION APPROACH OBVIOUS NON- STARTER. FRENCH OFFICIALS SHOW NO INTEREST IN FRG- UK IDEA OF USING PART IV OF GENERAL AGREEMENT TO JUSTIFY SPECIAL PREFERENCES. THEY ARE ALSO NOT RECEPTIVE TO POSSIBLE MODUS VIVENDI PROPOSED BY UNDER SEC CASEY, PRIMARILY, WE BELIEVE, BECAUSE THEY CONTINUE TO SUSPECT THAT ULTIMATE US OBJECTIVE IS TO SUBSUME SPECIAL PREFERENCES UNDER GSP. THEY ALSO POINT OUT THAT A US PROMISE NOT TO CHALLENGE SPECIAL PREFERENCES IN GATT WOULD PROVIDE NO ASSUREANCE THAT OTHER GATT CPS, SUCH AS LATIN AMERICANS, WOULD NOT DO SO.

4. FRENCH SAY THEY SUPPORT FULLY COMMISSION' S PROPOSAL THAT ASSOCIATES SHOULD BE FREE TO GIVE OTHER DCS SAME PREFERENCES AS THOSE GIVEN EC. THEY ARGUE THAT THIS IS IN FACT NO CHANGE FROM PRESENT SITUATION AND THAT YAOUNDE COUNTRIES HAVE ALWAYS BEEN FREE TO TAKE SUCH ACTION IF THEY SO DESIRED. THEY STRESS THAT THERE WOULD BE NO REASON FOR ASSOCIATES TO FEAR THAT EXTENSION OF TARIFF PREFERENCES TO OTHER DCS WOULD JEOPARDIZE ANY BENEFITS THEY RECEIVE FROM EC AND GOF.

5. WE HAVE RECEIVED QUITE DIFFERENT REACTIONS FROM DREE AND MFA OFFICIALS TO OUR INQUIRIES ABOUT FRENCH VIEW OF SUGGESTION (REF B) THAT ASSOCIATES DROP BOTH PREFERENTIAL AND MFA SCHEDULE TO ZERO AND ESTABLISH NON- DISCRIMINATORY FISCAL DUTY ON IMPORTS. DREE CHIEF OF EC AFFAIRS, WHO CLAIMED TO BE UNFAMILIAR WITH THIS IDEA, SAID THIS WOULD SIMPLY BE " FALSE CUSTOMS DUTY" AND SAID IT SOUNDED VERY COMPLICATED. ON OTHER HAND, MFA CHIEF OF EC- THIRD COUNTRY AFFAIRS SAID HE THOUGH IDEA MIGHT HAVE POSSIBILITIES. STRESSING THAT HE WAS SPEAKING ONLY ON PERSONAL BASIS, HE SAID HE THOUGHT MFA MIGHT BE WILLING TO CONSIDER THIS IDEA SERIOUSLY, PARTICULARLY IN VIEW OF GROWING RECOGNITION THAT REVERSE PREFERENCES PROVIDE " NO REAL" BENEFIT TO FRENCH EXPORTS. HE SAID THERE MIGHT BE SOME ADVERSE REACTION TO THIS

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IDEA FROM FRENCH INDUSTRY BUT ADDED THAT EVEN INDUSTRIALISTS ARE BEGINNING TO REALIZE THAT THE GENERAL ORIENTATION OF TRADE FLOWING FROM EC- ASSOCIATES AGREEMENTS IS MUCH MORE IMPORTANT FACTOR IN PURCHASING DECISIONS THAN ARE REVERSE PREFERENCES.

6. COMMENT: WE SHARE USEC' S VIEW (REF (B)) THAT ANY FURTHER MODIFICATION IN WHAT APPEARS TO BE GOF- COMMISSION POSITION WILL ONLY COME ABOUT AS A RESULT OF MEMBER STATE DISCUSSIONS AND PERHAPS MORE IMPORTANTLY FROM NEGOTIATIONS WITH LDCS. WE SEE LITTLE CHANCE THAT GOF WILL, EVEN UNDER COMBINED PRESSURE FROM FRG AND UK, ABANDON ITS INSISTENCE ON MAINTAINING FTA

FRAMEWORK FOR EC RELATIONS WITH LDC ASSOCIATES. JUST AS FRENCH SUSPECT OUR MOTIVES ON REVERSE PREFERENCES QUESTION, SO WILL THEY SUSPECT THAT GERMANS AND BRITISH ARE WORKING TOWARD EVENTUAL ELIMINATION OF SPECIAL PREFERENCES. THUS, WE BELIEVE THAT MOST EFFECTIVE WAY OF BRINGING ABOUT FURTHER CHANGE IN EC POSITION IS THROUGH ASSOCIATES AND ASSOCIABLES THEMSELVES. ON OTHER HAND, IF WE WERE TO DECIDE THAT FISCAL DUTY IDEA OFFERS HOPE OF ACCEPTABLE SOLUTION TO REVERSE PREFERENCES PROBLEM, A DISCREET APPROACH TO GOF INDICATING A WILLINGNESS TO EXPLORE THIS OPTION COULD BE USEFUL.

7. HOWEVER, ANY FRENCH WILLINGNESS TO FOREGO EFFECTIVE PREFERENTIAL ACCESS TO MARKETS OF AFRICAN LDCS WOULD NOT RPT NOT EXTEND TO EC AGREEMENTS WITH MEDITERRANEAN COUNTRIES, PARTICULARLY SPAIN AND ISRAEL. GOF BELIEVES THAT THESE COUNTRIES HAVE REACHED A STAGE OF DEVELOPMENT WHERE THEY CAN AND SHOULD MAKE MEANINGFUL RECIPROCAL CONCESSIONS IN EXCHANGE FOR PREFERENTIAL ACCESS TO EC MARKETS.

8. DEPARTMENT PLEASE REPEAT TO OTHER POSTS

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